



## FISCAL MEMORANDUM

### HB 137 - SB 142

March 20, 2023

**SUMMARY OF BILL AS AMENDED (006204):** Reorganizes provisions regarding specialty earmarked and new specialty earmarked license plates. Eliminates outdated provisions referring to the obsolete Street Rod specialty earmarked license plate.

Replaces the term “www.tnvaction.com” with “In God We Trust” (term) on all registration plates. Authorizes an owner or lessee to be issued an alternative plate without the term, if elected. Requires a county clerk to inquire as to which plate the owner or lessee would like to be issued, and if no preference is indicated, to issue a plate with the term.

### FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Expenditures - \$14,367,600/FY23-24**

**Increase Local Expenditures - \$129,600/FY23-24\***

**Other Fiscal Impact – TRICOR will realize an increase in revenue of \$11,922,700 and an increase in expenditures of \$9,174,400 in FY23-24.**

Assumptions for the bill as amended:

- Currently, most specialty earmarked license plates have their own section that is titled by the name of the specialty earmarked license plate.
- The proposed legislation reduces the number of sections in Tenn. Code Ann. § 55-4-3 from 99 to 53 by grouping specialty earmarked license plates together by subject matter.
- The proposed legislation does not add or remove any currently available specialty earmarked license plates.
- The proposed legislation will require a substantial reorganization of county clerk guides, forms, and website information distributed by the Department of Revenue (DOR). Any increase in expenditures from updating and reorganizing this information will be not significant.
- In 2022, pursuant to Public Chapter 429 (2017), all standard plates were replaced with the current blue design. Per the language of this legislation, all registration plates would need to be replaced again.
- Currently, there are 5,875,742 total registration plates are in circulation. Of those, 5,510,635 are considered standard plates.

- The cost to the state per plate varies between \$2.70 and \$4.20 based on the plate class code.
- Pursuant to the language of this legislation, an owner or lessee can elect to receive an alternative plate without the term. The requirements for the alternative plate design are not detailed within this legislation. For the purposes of this analysis, it is assumed that the current standard plate without “In God We Trust” written above the Tri-Star insignia will be a sufficient alternative, which accounts for 1,939,996 plates in current circulation. It is further assumed that this cohort of owners and lessees will chose the alternative plate under this proposed legislation.
- Based on information received by DOR, the total increase in expenditures to the state to replace all registration plates, barring the acceptable alternative, will be \$11,543,685 in FY23-24.
- Beyond the plates in circulation, DOR maintains an inventory of the various plates for new registrations and replacements.
- Based on information received by DOR, the total increase in expenditures to the state to replace all inventory of various registration plates, barring the acceptable alternative, will be \$1,370,660 in FY23-24.
- It costs \$0.25 each to ship and warehouse a plate. There will be an increase in state expenditures in FY23-24 of \$892,660 [(5,510,635 standard plates – 1,939,996 alternative plates) x \$0.25].
- Standard plates also require county name decals, which cost \$0.157 each.
- There will be an increase in expenditures of \$560,590 [(5,510,635 standard plates – 1,939,996 alternative plates) x \$0.157] in FY23-24.
- The total increase in state expenditures in FY23-24 will be \$14,367,595 (\$11,543,685 replacements + \$1,370,660 inventory + \$892,660 shipping & warehousing + \$560,590 decals).
- It is assumed that county clerks will not charge the standard \$5 for mailing plates under this legislation, as it is not contingent upon renewing registration. Based upon the 2022 new standard plate rollout, it cost county offices \$200,000 to mail new plates to owners and lessees at their request. Therefore, there will be a mandatory increase in local government expenditures of \$129,600 { \$200,000 - [ \$200,000 x (1,939,996 alternative plates / 5,510,635 standard plates) ] }.
- The Tennessee Rehabilitative Initiative in Correction (TRICOR) manufactures all state license plates. The DOR pays TRICOR \$2.95 per plate. The actual cost to produce, warehouse, and distribute these specialty license plates is estimated to be \$2.27 per license plate.
- TRICOR will realize an increase in revenue in FY23-24 of \$11,922,708 { [(5,510,635 standard plates – 1,939,996 alternative plates) + 470,957 inventory] x \$2.95 }.
- TRICOR will realize an increase in expenditures in FY23-24 of \$9,174,423 { [(5,510,635 standard plates – 1,939,996 alternative plates) + 470,957 inventory] x \$2.27 }.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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